

AMENDED IN ASSEMBLY SEPTEMBER 8, 1997

AMENDED IN ASSEMBLY JULY 7, 1997

AMENDED IN SENATE MAY 23, 1997

AMENDED IN SENATE APRIL 14, 1997

SENATE BILL

No. 1026

**Introduced by Senator Schiff
(Coauthors: Senators Craven and O'Connell)**

February 27, 1997

An act to amend ~~Section~~ *Sections 24413 and 24415* of, ~~and~~ to add Sections 22951.5, 22954.5, 24416, and 24417 to, *and to repeal Section 24411.5 of*, the Education Code, relating to retirement, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1026, as amended, Schiff. Teachers' retirement benefits.

The State Teachers' Retirement Law requires the annual transfer to the Supplemental Benefit Maintenance Account from the General Fund of 2.5% of the total of prior year salaries upon which member contributions to the retirement system are based for funding supplemental benefits. Existing law expresses legislative intent in establishing the Supplemental Benefit Maintenance Program, to manifest a contractually enforceable promise to fully repay the Teachers' Retirement Fund, with interest, for all the advances made therefrom and for any appropriation made in Item 1920-111-835 of the Budget Act of 1989 and otherwise reserves

the right of the Legislature to reduce or terminate the state's contributions and supplemental benefit distributions.

This bill would *require General Fund transfers for the 1998–99 fiscal year to be reduced by specified state interest in school lands from the sale of the Elk Hills Naval Petroleum Reserve and would make technical, nonsubstantive changes in that provision.*

Existing law requires revenues from school lands at Elk Hills Naval Petroleum Reserve to be deposited in the School Land Bank Fund and interest earnings to be transmitted to the Teachers' Retirement Fund for distribution by the Supplemental Benefit Maintenance Account.

This bill would require those revenues to be deposited in the Supplemental Benefit Maintenance Account.

Existing law provides that the proceeds of the Supplemental Benefit Maintenance Account shall be distributed annually in quarterly supplemental payments to retired members, disabled members, and beneficiaries to restore purchasing power up to 68.2% of the purchasing power of their initial monthly allowances and requires the Teachers' Retirement Board to make annual transfers from the Teachers' Retirement Fund to the Supplemental Benefit Maintenance Account to fund that benefit.

This bill would increase that percentage to 75% of purchasing power, would ~~require~~ *authorize* the board to make retirement fund transfers that are necessary to fund the increased percentage, *would authorize the board to increase employer contributions*, and would provide that the board reserves the right to reduce distributions to a level below 75% or to terminate distributions, depending upon availability of funds.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. This act may be known and cited as the
- 2 Mrs. Ruth Q. de Prida Pension Protection Act.
- 3 SEC. 2. Section 22951.5 is added to the Education
- 4 Code, to read:



1 22951.5. In addition to any other contributions
2 required by this part, if the board determines that the
3 Supplemental Benefit Maintenance Account will not
4 have sufficient funds to make the maximum payment
5 pursuant to Section 24417, the board may increase the
6 employer contribution rate as provided in Section 24416.

7 SEC. 3. *Section 22954.5 is added to the Education*
8 *Code to read:*

9 22954.5. *For the 1998–99 fiscal year, the contributions*
10 *required by Section 22954 shall be reduced by the total*
11 *value of the state’s interest in the school lands from the*
12 *sale of the Elk Hills Naval Petroleum Reserve. That sale*
13 *is expected in February 1998.*

14 SEC. 4. *Section 24411.5 of the Education Code is*
15 *repealed.*

16 ~~24411.5. In furtherance of the policy stated in~~
17 ~~subdivision (e) of Section 24411, the Legislature hereby~~
18 ~~declares that it is the intent of the State of California to~~
19 ~~ensure a common minimum purchasing power~~
20 ~~protection level equal to 75 percent of the purchasing~~
21 ~~power of the original allowance. It is the intent to meet~~
22 ~~this goal from funds appropriated for purchasing power~~
23 ~~protection from revenues from state school lands in the~~
24 ~~California desert, the Elk Hills Naval Petroleum Reserve,~~
25 ~~and all other state school and lieu land revenues, as well~~
26 ~~as state appropriations, and all other sources that may be~~
27 ~~used to meet this goal.~~

28 SEC. 5. *Section 24413 of the Education Code is*
29 *amended to read:*

30 24413. Notwithstanding Section 24412, revenues from
31 school lands or lieu lands related to the claim of the State
32 of California to the school lands within the area referred
33 to as the Elk Hills Naval Petroleum Reserve, shall be
34 deposited in the ~~School Land Bank Fund established by~~
35 ~~Section 8711 of the Public Resources Code. Interest~~
36 ~~earnings from this source of revenue deposited in the~~
37 ~~School Land Bank Fund shall be transmitted to the~~
38 ~~retirement fund pursuant to Section 6217.5 of the Public~~
39 ~~Resources Code and shall be distributed pursuant to~~

1 ~~Section 24412~~ *Supplemental Benefit Maintenance*
2 *Account.*

3 SEC. 6. Section 24415 of the Education Code is
4 amended to read:

5 24415. (a) The proceeds of the Supplemental Benefit
6 Maintenance Account shall, except as otherwise provided
7 by Section 24414, be distributed annually in quarterly
8 supplemental payments commencing on September 1,
9 1990, to retired members, disabled members, and
10 beneficiaries. The amount available for distribution in
11 any fiscal year shall not exceed the amount necessary to
12 restore purchasing power up to 75 percent of the
13 purchasing power of the initial monthly allowance after
14 the application of all allowance increases authorized by
15 this part, including those specified in Section 24412.

16 (b) The net revenues to be distributed shall be
17 allocated among those retired members, disabled
18 members, and beneficiaries whose allowances, after
19 sequentially applying the annual improvement factor as
20 defined in Sections 22140 and 22141, and the annual
21 supplemental payment as defined in Section 24412, have
22 the lowest purchasing power percentage. The purchasing
23 power calculation for each individual shall be based on
24 the change in the All Urban California Consumer Price
25 Index between June of the calendar year of retirement
26 and June of the fiscal year preceding the fiscal year of
27 distribution. In any year in which the purchasing power
28 of the allowances of all retired members, disabled
29 members, and beneficiaries equals not less than 75
30 percent and additional funds remain from the allocation
31 authorized by this section, those funds shall remain in the
32 Supplemental Benefit Maintenance Account for
33 allocation in future years.

34 (c) The allowance increase shall not be applicable to
35 annuities payable from the accumulated annuity deposit
36 contributions or the accumulated tax-sheltered annuity
37 contributions.

38 (d) The benefits provided by subdivision (b) are not
39 cumulative, not part of the base allowance, and will be
40 payable only to the extent that funds are available from

1 the Supplemental Benefit Maintenance Account. The
2 board shall inform each recipient of the contents of this
3 subdivision.

4 (e) The adjustments authorized by this section are not
5 vested and shall not be included in the base allowance for
6 purposes of calculating the annual improvement defined
7 by Sections 22140 and 22141.

8 ~~SEC. 4.—~~

9 SEC. 7. Section 24416 is added to the Education Code,
10 to read:

11 24416. (a) Beginning in the 1997–98 fiscal year, if the
12 board determines by June 30 of the then current fiscal
13 year that the Supplemental Benefit Maintenance
14 Account will not have sufficient funds to provide
15 purchasing power of up to 75 percent for the subsequent
16 fiscal year, the board, for ~~any~~ that year, may do either, or
17 a combination of the following:

18 (1) Increase the employer contribution rate
19 commencing in the next fiscal year by an amount that
20 would provide sufficient funds for no more than the
21 estimated difference between the funds in the
22 Supplemental Benefit Maintenance Account and the
23 amount needed to pay the benefit level specified by the
24 board, provided the benefit level is no more than 75
25 percent. *Notwithstanding any other provision of this*
26 *part, the increase in the employer contribution rate shall*
27 *only become operative if the increase is approved or*
28 *authorized in the Budget Act.*

29 (2) Reduce the supplemental benefit payment for the
30 subsequent fiscal year to the amount which can be funded
31 by the available funds in the Supplemental Benefit
32 Maintenance Account.

33 (b) If the board finds that there is no unfunded
34 obligation, as determined by the board's professional
35 consulting actuary and affirmed by the Director of
36 Finance, then in addition to the authority pursuant to
37 subdivision (a), the board may transfer to an auxiliary
38 Supplemental Benefit Maintenance Account, from any
39 funds that are in excess of the amount needed to fund
40 fully the benefits for which the Teachers' Retirement

1 Fund is liable, an amount that would provide sufficient
2 funds for no more than the estimated difference between
3 the funds in the Supplemental Benefit Maintenance
4 Account and the amount needed to pay the benefit level
5 specified by the board, provided the benefit level is no
6 more than 75 percent.

7 (c) If the board increases the employer contribution
8 rate pursuant to paragraph (1) of subdivision (a), the
9 increase between the current fiscal year contribution rate
10 and the contribution rate in the next fiscal year, shall not
11 exceed one-quarter of 1 percent of the creditable
12 compensation upon which contributions are based.

13 ~~SEC. 5.—~~

14 SEC. 8. Section 24417 is added to the Education Code,
15 to read:

16 24417. (a) The proceeds of an auxiliary
17 Supplemental Benefit Maintenance Account shall be
18 distributed annually in quarterly supplemental
19 payments, commencing when funds in ~~that account~~ the
20 Supplemental Benefit Maintenance Account are
21 insufficient to support 75 percent, to retired members,
22 disabled members, and beneficiaries. The amount
23 available for distribution in any fiscal year shall not
24 exceed the amount necessary to restore purchasing
25 power up to 75 percent of the purchasing power of the
26 initial monthly allowance after the application of all
27 allowance increases authorized by this part, including
28 those specified in Section 24412 and Section 24415.

29 (b) The net revenues to be distributed shall be
30 allocated among those retired members, disabled
31 members, and beneficiaries whose allowances, after
32 sequentially applying the annual improvement factor as
33 defined in Sections 22140 and 22141, and the annual
34 supplemental payment as defined in Section 24412 and
35 Section 24415, have the lowest purchasing power
36 percentage. The purchasing power calculation for each
37 individual shall be based on the change in the All Urban
38 California Consumer Price Index between June of the
39 calendar year of benefit effective date and June of the
40 fiscal year preceding the fiscal year of distribution.

(c) The allowance increase shall not be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions.

(d) The benefits provided by subdivision (b) are not cumulative, nor part of the base allowance, and will be payable only to the extent that funds are available from the Supplemental Benefit Maintenance Account and the ~~Auxiliary~~ *auxiliary* Supplemental Benefit Maintenance Account. The board shall inform each recipient of the contents of this subdivision.

(e) The distributions authorized by this section are not vested and shall not be included in the base allowance for purposes of calculating the annual improvement defined by Section 22140 and 22141.

~~SEC. 6.~~

SEC. 9. It is the intent of the Legislature that no General Fund revenue, in excess of the funds specified in Section 22954, be transferred to the Supplemental Benefit Maintenance Account for the purpose of providing supplemental benefit payments.

It is further the intent of the Legislature that all payments from the Supplemental Benefit Maintenance Account include a notification that the payments from the account are not vested and may be reduced or terminated in the next year. The notification shall also indicate that no assumption should be made that payments from this account will continue.